Report of the
Financial Plan Working Group
for the
Town of Hopkinton, Massachusetts

October 10, 2007

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Contents

EXECUTIVE SUMMARY **5**

FINDINGS 5

RECOMMENDATIONS 6
Key Recommendations *6*
Recommendations Reflected in the Budget Model *7*
Additional Recommendations with Potential Fiscal Impact *7*

PROPOSED NEXT STEPS 8

BACKGROUND **9**

GENESIS 9

MEMBERSHIP 9

GOALS 10

PROCESS 10

TIMETABLE/MILESTONES 10

BUDGET MODEL **11**

ASSUMPTIONS 11

OUTPUT 11

GRAPHICAL DISPLAY OF MODEL OUTPUT 12

IDEAS FOR CLOSING THE REVENUE/EXPENSE GAP **13**

REVENUE ENHANCEMENT 13
1. Support the development of Legacy Farms *13*
2. Entice higher-value development in the commercial/industrial areas near Rt. 495 ..... *13*
3. Support downtown revitalization *14*
4. Implement School Choice *14*
5. Charge facility use fees for after-school programs *15*
6. Determine how best to utilize Fruit Street to generate recurring revenue *15*
7. Sell or lease Center School (or current Town Hall) after Early Childhood Center is built *17*
8. Lobby state legislature to repeal telecomm tax exemption *18*
9. Expand advertising *19*
10. Sell naming rights to buildings/halls/fields *19*
11. Add new fees and fines; increase existing fees *19*
12. Put program of studies on line *20*
13. Obtain new grants to offset expenses currently in the operating budget *20*
14. Lease space for cell phone towers *21*
15. Hire point person to market the town to businesses *22*
16. Tuition-in special education students *22*
17. Assess fees to cars going into the state park *22*
18. Pursue voluntary mitigation payments from developers *23*
19. Allow drive-thru lanes for restaurants *24*
20. Develop special education life skills program *25*

EXPENSE REDUCTION 26
1. *Negotiate lower health insurance premiums (restructure programs) 26*
2. *Reduce legal expenses 26*
3. *Make more efficient use of revolving accounts and 53E½ accounts 27*
4. *Combine certain school / general government operations 28*
5. *Combine services with neighboring communities 28*
6. *Pursue regionalization for large pieces of equipment 29*
7. *Institute cooperative purchasing 29*
8. *Relocate DPW Facilities to a new facility 29*
9. *Develop wind power or solar power 29*
10. *Revise staffing/overtime practices 30*
11. *Modify snow removal tactics (don't plow so quickly or so often) 31*
12. *Hire company to retrofit buildings for guaranteed energy savings 32*
13. *Re-evaluate the Community Preservation Act (CPA) tax 32*

Executive Summary

This document represents the results of the work of an ad hoc group of Town financial officials, department heads, and members of the Chamber of Commerce called the Financial Plan Working Group. The group worked during the summer of 2007 to develop a strategy for dealing with the fiscal structural deficit facing the Town.

The Working Group developed a ten-year budget model of the Town's expenses and revenues, investigated a number of ideas for closing the gap between expenses and revenues, and developed a set of recommendations for specific actions that town government can undertake to make it possible to provide level services in all areas of the Town's responsibility without the need for recurring Proposition 2 ½ tax overrides.

Note that the focus is on level services using FY08 as a baseline. The work does not explicitly address increases in services that citizens might desire to keep the town attractive and vibrant.

Findings

The structural deficit is real. If the Town continues business as usual, the size of the deficit will grow larger and larger. This will lead to a continual erosion of Town services or require frequent Proposition 2 ½ tax overrides. The longer that the Town delays taking action to generate new revenue and to introduce new spending efficiencies, the larger the problem will get.

The Working Group identified twenty revenue enhancement ideas and thirteen expense reduction ideas that appeared to have the potential to reduce or eliminate the structural deficit. After analysis, some of the ideas were determined to have no incremental fiscal impact. These ideas have been retained in the report in order to document the fact that they were considered.

Of the ideas that have positive fiscal impact, solid estimates of the magnitudes of the impacts were established only for five revenue enhancement and three expense reduction ideas during the time frame when the Working Group met. Further research and analysis will be required to quantify the impacts of the remaining ideas. The budget model reflects the fiscal impacts only of the ideas that have been quantified so far.

Some ideas will have one-time impacts, while others will have recurring impacts. No single idea proved to be a magic bullet. Rather, there are a number of actions and initiatives that, if implemented together, could eliminate the deficit and even generate a surplus beyond what is needed to maintain level services. A surplus could be used to increase service levels or to reduce taxes.

Many of the recommended actions had been identified months or years ago by individual Town officials or boards. The recommendations in this report re-enforce their prior work, and the budget model provides a tool to quantify the fiscal impacts of the recommendations.

The results of the budget modeling showed that in order to provide services at the same level as budgeted for FY08, assuming no extraordinary developments such as Legacy Farms and no initiatives to generate new revenue or reduce expenses, the magnitude of the structural deficit would be approximately $1.4M in FY09 and could get as large as $8.8M in FY18, the tenth year of the time horizon that was studied.

Layering in the potential impacts of the recommendations for which credible estimates were developed would shrink the shortfall to a range of $900K in FY09 to $2.4M in FY18. It is reasonable to expect that the impacts of the recommendations that remain to be quantified could be significant enough to close the gap after a few years. There would probably still be gaps in the first 1-3 years due to the time lag for the fiscal impacts of the recommendations to manifest themselves. It would be up to the Town to decide whether to cut services or to pass a Proposition 2 ½ tax override to deal with this near-term situation. The model can be used as a tool to estimate the impacts of different override scenarios in the near term as well as in future years.

Note that the numbers from the model <u>do not include</u> the impact of funding capital equipment items (i.e., annual fleet and equipment replacements), although they <u>do include</u> the impact of building projects and extraordinary maintenance projects shown on the ten-year capital expenditure plan managed by the Capital Improvements Committee. In regard to these major proposed capital projects, the model includes both the projected costs and the corresponding tax increases, since the projects would likely be funded via debt exclusion. Thus, the inclusion of the proposed major capital projects has no impact on the projected shortfalls. Furthermore, the model and therefore the projected shortfalls assume that there will be annual 2 ½% tax increases as allowable without ballot approval. A consequence of all of this is that the tax impacts reflected in this report would occur <u>in addition</u> to both the 2 ½% annual tax increases and any tax increases related to capital debt exclusions.

It is important to note that actual budget requests and available revenues in any given year are likely to differ from the forecasts. For example, the Town might get some unanticipated relief from the state, or certain budget line items might go up or down when they are built and analyzed each year. Scrutiny will be required each year. The model simply outlines the order of magnitude of future gaps and provides a planning tool to understand the potential impact and timing of overrides, should they be considered by the Town's elected officials.

Recommendations

The Working Group developed a series of specific recommendations which are detailed in the section of the report entitled "Ideas for Closing the Revenue/Expense Gap." There are too many specific recommendations to summarize here. The next sections list key high-level recommendations and the recommendations that have positive fiscal impact.

Key Recommendations

Based on overall influence and impact, the three key recommendations of the Working Group are the following:

- Work collaboratively to implement all of the detailed recommendations in this document. Hopkinton is **One Town** with **One** fiscal **Problem** that has **One** integrated **Solution**. Everyone needs to work together to assemble the pieces of the puzzle that will reveal the picture of a town government that is providing the services that the townspeople desire without the need for Proposition 2 ½ tax overrides. This will require all elected and appointed officials to support the votes of their boards and of the voters at Town Meeting, and to model the behavior that we would like to see from all of our citizens. Even if individuals disagree with a particular decision or vote of a board or committee or of the voters at Town Meeting, everyone needs to commit to doing his/her part to implement the decisions that are made.

- ❖ Get the Wastewater Treatment Facility on the Town's property on Fruit Street built and operational immediately, bring additional water supply on line, and make the zoning changes recommended for the Town's business and commercial districts. These are the key enablers of the commercial growth and expansion that can add a significant amount of revenue with limited need for municipal services. These steps are critical for bringing new sources of tax revenue on line in the time frame that is needed in order to avoid Proposition 2 ½ tax overrides. Time is of the essence.

- ❖ Support the proposed revenue-positive development of Legacy Farms. This is a project that has the potential to bring tax revenues to Town far in excess of the increased costs of municipal services while enhancing the quality of life of the community. A positive revenue outcome will be dependent upon the type and phasing of development.

Recommendations Reflected in the Budget Model

Recommendations dealing with the following ideas are reflected in the budget model:

<u>Revenue Enhancement</u>

1. Support the development of Legacy Farms
2. Entice higher-value development in the commercial/industrial areas near Rt. 495
3. Support downtown revitalization
4. Implement School Choice
5. Charge facility use fees for after-school programs

<u>Expense Reduction</u>

1. Negotiate lower health insurance premiums (restructure programs)
2. Reduce legal expenses
3. Make more efficient use of revolving accounts and 53E½ accounts

Additional Recommendations with Potential Fiscal Impact

Additional recommendations dealing with ideas that are expected to have positive fiscal impact but that have not yet been quantified or need further evaluation are listed here. Some of these ideas could provide significant revenue-generating opportunities.

<u>Revenue Enhancement</u>

6. Determine how best to utilize Fruit Street to generate recurring revenue
7. Sell or lease Center School (or current Town Hall) after Early Childhood Center is built
8. Lobby state legislature to repeal telecomm tax exemption
9. Expand advertising
10. Sell naming rights to buildings/halls/fields
11. Add new fees and fines; increase existing fees
12. Put program of studies on line
13. Obtain new grants to offset expenses currently in the operating budget
14. Lease space for cell phone towers
15. Hire point person to market the town to businesses
16. Tuition-in special education students

Expense Reduction

4. Combine certain school / general government operations
5. Combine services with neighboring communities
6. Pursue regionalization for large pieces of equipment
7. Institute cooperative purchasing
8. Relocate DPW Facilities to a new facility
9. Develop wind power or solar power

Proposed Next Steps

The key to successfully implementing the recommendations of the Working Group will be leadership from the Board of Selectmen and the School Committee, as boards and as individuals, to set a tone of collaboration in the pursuit of managed growth for the Town.

The Working Group strongly urges all Town officials including the members of all boards, committees, and commissions to become familiar with the detailed recommendations contained in this document and with the fiscal impacts as documented in the associated budget model. Town officials, boards, committees, and commissions should take the initiative to follow up on recommendations in their areas of responsibility and expertise, and to use the model as a reference to understand the fiscal implications of the decisions facing them.

Furthermore, the Working Group suggests that the Board of Selectmen implement a system to track progress against the recommendations, and that this progress be reported on a quarterly basis. The Working Group also suggests that the Board of Selectmen establish an annual process to update the model based on changing conditions and assumptions, to generate additional new ideas for revenue enhancement and expense reduction, and to keep the community informed of these developments.

Background

In the early part of 2007, the idea that the revenue side of the Town budget will never be enough when compared to the expense side gained traction among Town officials. The ongoing shortfall was referred to as a "structural deficit," and this term became widely known by the citizens of Hopkinton.

Genesis

In April 2007, members of the School Committee brought up the idea of developing a budget model to quantify the structural deficit several years into the future, and to investigate actions that could be taken to shrink or eliminate the problem. Furthermore, the School Committee suggested that the Town establish a long-term strategy for dealing with the structural deficit.

The Committee recognized that developing such a strategy would require collaboration among the School Committee, Board of Selectmen, Town Manager, Appropriation Committee, and other Town officials. The Committee subsequently sought and enthusiastically obtained support from the Board of Selectmen, Town Manager, and Appropriation Committee.

Phil Totino, Vice Chairman of the School Committee at the time, constructed the initial budget model. Stuart Cowart, Chairman of the Appropriation Committee at the time, volunteered to co-lead an ad hoc team to flesh out the model and to develop strategies for addressing the structural deficit.

Membership

Mr. Totino and Mr. Cowart invited Town financial officials, department heads, and members of the Chamber of Commerce to participate in the effort. The group called itself the Financial Plan Working Group. The members are as follows:

- Stuart Cowart (Co-Chair) Appropriation Committee
- Phil Totino (Co-Chair) School Committee
- Brian Herr Board of Selectmen
- Tony Troiano Town Manager
- Gary Daugherty Fire Chief
- Maureen Dwinnell Town Treasurer
- Mike Duffy Capital improvements Committee
- Bob Bushway Principal Assessor
- John Duffy Board of Assessors
- Heidi Kriger Town Accountant
- Tom Irvin Chief of Police
- JT Gaucher DPW Director
- Jack Phelan Superintendent of Schools
- Elaine Lazarus Planning Director
- Scott Richardson Chamber of Commerce

Other key contributors in the process include:

- Maryrose DeGroot Human Resources Director
- Brian Main Facilities Director
- Geoff MacDonald School Department Director of Finance

• Dave Catone	Capital Improvements Committee
• Ron Eldridge	Appropriation Committee
• Mary Lou Haroian	Appropriation Committee
• Ron Roux	Chamber of Commerce
• Tim Kilduff	Hopkinton Athletic Association

Goals

The goals of the Working Group were to:

- Expand upon the work of the Three-Year Financial Planning Group that had been in existence since 2000 by extending the planning time horizon from three years to ten years and drilling down into more detail.
- Estimate expenses and revenues for the next ten years assuming level services (as of FY08) and business as usual (no extraordinary, new initiatives to generate new revenues or to curb expenses).
- Identify ways to close the gap between revenues and expenses.
- Recommend a ten-year plan to Town leaders to address the structural deficit. This would contain specific initiatives and actions, and would provide a framework for the annual budget process.

Process

The Working Group held a series of meetings from June through October of 2007. Action items were assigned, and considerable work took place between meetings by individuals or small groups.

After the first meeting, ownership of the model was taken over by the Town Accountant.

The press and the public were invited to the regular meetings when the process began in order to provide visibility to the work and to offer an opportunity for input and feedback. Members of the press attended regularly and reported on the work of the team. When the team moved to the deliberation stage, meetings were closed to the public and press due to the potentially sensitive nature of some of the proposals under discussion.

Timetable/Milestones

The work proceeded as follows:

- Mid-July
  - Review first-pass forecasts of expenses and revenues
- Mid-August
  - Review updated forecasts of expenses and revenues
  - Brain-storm ideas for closing the revenue/expense gap
- Mid-September
  - Evaluate the feasibility of the ideas for closing the revenue/expense gap, and quantify their fiscal impacts
- Early October
  - Develop a proposal containing specific initiatives and actions to address the structural deficit
- Mid to late October
  - Present the proposal to the Board of Selectmen, School Committee, Appropriation Committee, and key community leaders

Budget Model

This section contains a high-level discussion of the inputs, outputs, and implications of the long-term town-wide budget model that was developed and used to assess the impacts of proposed actions to mitigate the structural deficit.

Assumptions

Forecasts of expenses for major departments (police, fire, DPW, and schools) were done outside of the model used here. For example, the school department has its own ten-year budget model that it uses to estimate budget requirements.

It was important that everyone use the same assumptions for costs that are incurred by more than one department. Likewise, the growth assumptions used in generating revenue estimates needed to be consistent with the assumptions used for expense increases.

Common assumptions were:

- Annual cost of living increase: 3%
- Steps and lanes: Same as in current union contracts
- Annual health insurance cost increase: 10%
- Annual heating and utility cost increase: 6%
- Annual material cost increase (supplies and other): 5%
- Student enrollment: per New England School Development Council (NESDEC) May 2007 forecast
- Population increase: 200 per year
  - Assumes 50 new single-family homes per year
  - Excludes impact of Legacy Farms

Output

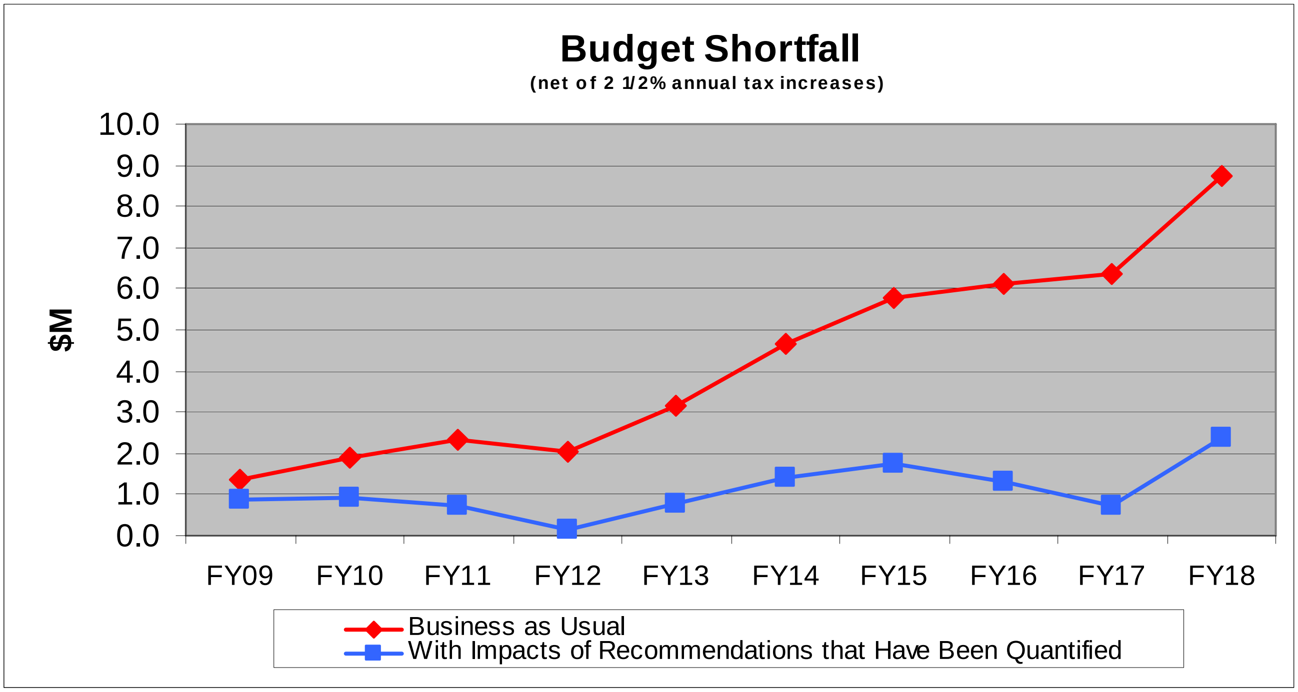
The results of the modeling showed that in order to provide services at the same level as budgeted for FY08, assuming no extraordinary developments such as Legacy Farms and no new initiatives to generate new revenue or reduce expenses, the magnitude of the structural deficit would be approximately $1.4M in FY09 and could get as large as $8.8M in the tenth year of the time horizon.

Layering in the potential impacts of the recommendations for which credible estimates were developed would shrink the shortfall to a range of $900K in FY09 to $2.4M in FY18. Of the ideas that have positive fiscal impact, solid estimates of the magnitudes of the impacts were established only for five revenue enhancement and three expense reduction ideas during the time frame when the Working Group met. Further research and analysis will be required to quantify the impacts of the remaining ideas.

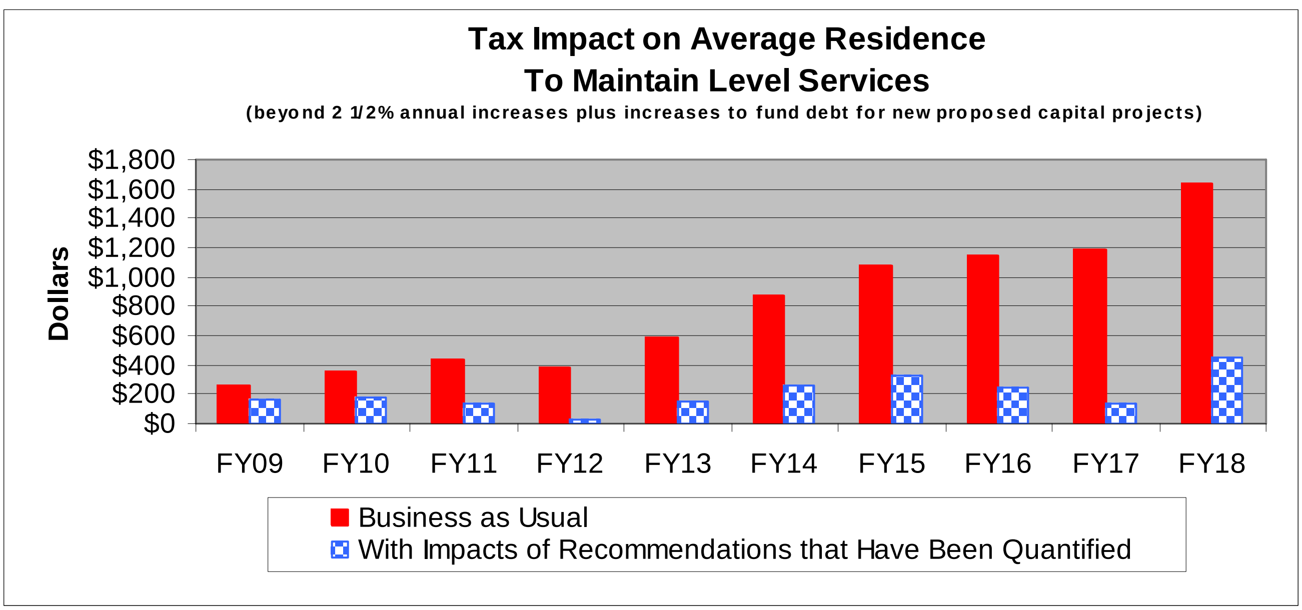
The budget model reflects the fiscal impacts only of the ideas that have been quantified so far. It is reasonable to expect that the impacts of the remaining recommendations could be significant enough to close the gap after a few years. There would probably still be gaps in the first 1-3 years due to the time lag for the fiscal impacts of the recommendations to manifest themselves.

Graphical Display of Model Output

This section contains graphical displays of some of the output of the model. The first graph shows the magnitude of the shortfall under the two major scenarios that were studied.



The property tax impact of each $1,000,000 of the budget shortfall is currently $0.34 per $1,000 of assessed property value. The next graph shows the impacts on the average residence in Hopkinton (assessed at $550,000).



Ideas for Closing the Revenue/Expense Gap

The Working Group brain-stormed ideas for closing the revenue/expense gap. 30+ ideas were brought forward. No idea was considered a bad idea. The ideas were separated into two categories: revenue enhancement and expense reduction. Individual members researched the feasibility of the ideas. This involved estimating the cost of implementing the idea, estimating the expected dollar benefit, and forecasting the timing when the costs and benefits would occur. If an idea was not feasible, an explanation was provided. If the idea is already being done to the degree possible, a description of what is being done was provided.

The research findings, recommendations, and fiscal impacts are presented here.

Revenue Enhancement

1. **Support the development of Legacy Farms**
   - **Analysis:** The proposed development by Boulder Capital 708 acres of former Weston Nurseries property in East Hopkinton presents an opportunity to improve the quality of life in town in a decidedly revenue-positive manner. The project encompasses various types of housing including single-family, condominium, and rental units, with a significant portion of the latter classified as affordable and therefore able to contribute to the Town's requirements under Chapter 40B. The project also includes 450,000 square feet of retail and business office space as well as 500 acres of open space.

     Voters at the Special Town Meeting of June 11, 2007 and the subsequent ballot on June 18, 2007 overwhelmingly endorsed the project by virtue of voting not to exercise the Town's right to acquire the Weston Nurseries property as allowed under the provisions of Chapter 61A.
   - **Recommendation**
     - ➢ Work together with Boulder Capital to implement the master plan for Legacy Farms in a timely and responsible manner.
   - **Fiscal Impact**
     - ➢ At full build-out, Legacy Farms will contribute over $1M per year in net revenue to the Town. Estimates of year-by-year revenues and costs are contained in a report entitled "Weston Nurseries: Fiscal Impacts of New Development" dated June 4, 2007 prepared for the Town by Community Opportunities Group, Inc.
2. **Entice higher-value development in the commercial/industrial areas near Rt. 495**
   - **Analysis:** Both South Street and Elmwood Park hold potential for additional development that could significantly add to the Town's commercial tax base. Likewise, the Erickson Retirement Community proposal raised the possibility of additional development on Lumber Street. The Chamber of Commerce has estimated that the commercial tax base of South Street could increase by $200M over a 5 – 15-year period, and that the commercial tax base of Elmwood Park could increase by $50M in the same time frame. If something comparable to what Erickson proposed for Lumber Street were to materialize, the commercial tax base could increase by as much as $250M in that area.

     Zoning that would permit taller buildings on South Street was approved at the May 2007 Annual Town Meeting. The Chamber of Commerce has recommended a similar zoning change for Elmwood Park. Hotels should be considered as part of the mix.

The Zoning Advisory Committee (ZAC) is evaluating uses (beyond hotels) at the Rt. 495 commercial/industrial area to appeal to a broader base of potential tenants. ZAC is also evaluating rezoning the Terry property (where Erickson was to have been located) to allow for certain uses like office park, retirement communities, etc.

Additional town water availability and sewage disposal capacity will be required to enable additional development in the South Street, Elmwood Park, and Lumber Street areas.

- **Recommendation:**
  - ➢ Change the zoning of Elmwood Park to allow taller buildings.
  - ➢ Change the zoning of the Terry property on Lumber Street to allow certain uses like office park and retirement communities.
  - ➢ Make other zoning changes to the commercial/industrial areas near Rt. 495 based on recommendations from the Zoning Advisory Committee (ZAC).
  - ➢ Get the Wastewater Treatment Facility on the Town's property on Fruit Street built and operational as soon as possible.
  - ➢ Develop additional water supply.
- **Fiscal Impact:**
  - ➢ Tax revenues from South Street could increase by $2.5M per year in the next 15 years
  - ➢ Tax revenues from Elmwood Park could increase by $600K per year in the next 15 years
  - ➢ Tax revenues from Lumber Street could increase by $3M per year in the next 15 years

3. **Support downtown revitalization**
   - **Analysis:** The community has repeatedly expressed a desire to make the downtown area more attractive for shopping, eating, and other family activities. The idea is to improve the physical attractiveness of the area as well as to add additional buildings for retail, office, and residential use. A number of projects including the Hopkinton Village Center behind buildings on Main Street and Cedar Street, a building behind 77-79 Main Street, and a relocated and expanded Bill's Pizza have been proposed. Some zoning changes have been made to the downtown business district in recent years to facilitate future development in a responsible manner.
   - **Recommendation**
     - ➢ Work together with local business people to develop commercial and residential projects in the downtown area in a timely and responsible manner.
   - **Fiscal Impact**
     - ➢ Tax revenues from Hopkinton Village Center are estimated at $70K per year
     - ➢ Tax revenues from the building behind 77-79 Main Street are estimated at $20K per year
     - ➢ Tax revenues from the Bill's Pizza project are estimated at $15K per year

4. **Implement School Choice**
   - **Analysis:** By June 1st of each year, school districts must inform the state whether the school district will participate in the school choice program. If a school district decides to participate, it must declare the grade levels and/or schools where space is available and the number of spaces. The school district must also consider any applicant unless s/he has been expelled from another public school. The receiving school district receives tuition for each school choice student from the sending district. The tuition amount is based on an allocable cost determined by the Department of Education. Parents must provide transportation to the receiving school district unless transportation is provided under a student's Individual Education Plan (IEP).

While there is an educational cost for each student, school districts generally consider school choice students to be revenue positive and look to absorb the students into the school district. To address concerns over potential costs for special education students, the state's Circuit Breaker funding provides some protection. Since parents must provide transportation, they are generally very invested in their children's education.

With the Hopkinton school district's positive reputation, the availability of school choice would be an attractive option for parents in the region and also for staff who work in town, including employees of the Hopkinton Public Schools.

- **Recommendation:**
  - Give further consideration to participating in the school choice program.
- **Fiscal Impact:**
  - The school district should be able to attract 20 students beginning in FY10. At a minimum allocable cost of $5,000, the school district would receive $100,000 yearly as tuition for these students. With good marketing, revenues could legitimately reach $250,000 over a five year period once the school district solidifies its reputation as a school choice district. There would be negligible incremental costs because the students would be spread across grades and readily absorbed into existing classes.

5. Charge facility use fees for after-school programs

- **Analysis:** The school district currently contracts with Knowledge Learning Corporation (KLC) to offer an after-school program for its elementary students. The current contract dates back to 1998 and provides space in the schools to KLC in return for below-market rates for Hopkinton parents. During FY07, other providers expressed interest in providing these services for Hopkinton families and students. Given the tight fiscal times and the for-profit nature of KLC, the contractual arrangement is planned to be revisited for FY09. The school district should consider charging market rate fees for facility use. In all likelihood, increased costs would be passed on to parents of students in the program.
- **Recommendation:**
  - Explore generating revenue from leasing space to companies interested in running after school programs.
  - Explore having the school district run its own after-school programs.
- **Fiscal Impact:**
  - KLC currently uses cafeteria space after school at the Elmwood and Center schools five days a week throughout the school year when school is in session. In total, KLC is using approximately 5,000 square feet of space. If the district were to lease this space at $17/sq. ft, it would generate $85,000 yearly. However, recent discussions with KLC indicate that they are losing considerable business to other places in town that offer wrap-around child care. Therefore, much less space would be required, and a more realistic estimate for future rental income would be $10,000 per year.

6. Determine how best to utilize Fruit Street to generate recurring revenue

- **Analysis:** At the 10/2/02 Special Town Meeting, the Town voted to acquire approximately 258 acres of land on Fruit St. for a price of $6,450,000. Subsequently, it approved a Concept Plan outlining uses at the 5/5/03 Annual Town Meeting. The approved Concept Plan outlined uses as follows:

1.	Town Wells	33 acres +/-
2.	Wastewater Disposal	5 acres +/-
3.	Open Space, CPA	98 acres +/-
4.	Open Space, Other	18 acres +/-
5.	Parks and recreation	27 acres +/-
6.	DPW Facility	9 acres +/-
7.	Elementary School	20 acres +/-
8.	Undesignated Uses	31 acres +/-
9.	Affordable Housing	13 acres +/-
10.	Access Road–	4 acres +/-

The Town recently received plan approval from the Massachusetts Environmental Policy Act (MEPA) Office to further the uses anticipated in the Concept Plan. It is important for Town Officials to continue all efforts and work collaboratively to realize the intended uses voted by the Town.

It is well understood that the waste water treatment facility (WWTF) is critical to the Town's infrastructure and economic needs. It is needed to provide critical capacity to maximize economic development in the Town's limited commercial districts which will help ease the structural financial deficit. The completion of the WWTF should be an A1 priority for the Town.

The MEPA approval includes allowance for 50 market-rate multi-family housing units on Parcel 8 which presents an opportunity to generate substantial revenues for the Town It has been estimated that a market price of $75,000 per unit could be realized for selling development rights including access rights of these units, and that the price could be as high as $100,000 per unit if rights to hook up to Town water and sewer are included. This creates the potential for revenues of $3,750,000 or more. Thought, planning, and control are needed to develop the style and type of units that address needs while also being revenue positive (i.e., mindful of the impact on school population). Further, there are questions as to the Town's obligation to pay off the debt associated with the parcels with any sale proceeds. Further, an Economic Development Industrial Corporation (EDIC) may be needed to facilitate flexibility and control with build out. Finally, development rights might be let out on a structured basis over time to even revenue flow to match future deficits. Alternatively, money can be earmarked to the stabilization fund for planed release to support deficits over time.

In addition, the MEPA approval includes allowances for up to 103 housing units on Parcel 9 which is designated for affordable housing. The Town's affordable housing committee is exploring alternatives for development of affordable units that might maximize the number of affordable units pursuant to the Town's workforce zoning article. While this would recoup the affordable housing's portion of the purchase price of the land, further study is recommended to see if additional revenue can be achieved while also addressing affordable housing objectives.

The Town has not voted to fund the construction of sports fields, but the reported need persists. To address this need, the Town should explore potential interest with leasing the land to independent sports leagues for the construction and operation of fields. The objective would be to determine if the Town can establish long-term land leasing revenues which escalate over time in exchange for the right for the Town sports leagues to build and operate fields on the land. The rent amount should match or exceed the taxable revenue that might be achieved through taxation of commercially developable land. This would turn vacant land into a revenue stream while also addressing the need for more fields.

The remaining parcels designated for Department of Public Works (DPW) and future school uses should be held for those intended uses even if such needs are not immediate. The Town should only consider giving up the school site if another site materializes in the future or if it is determined unequivocally that there will be no future need.

- **Recommendation:**
  - ➢ Form a task group to review the development potential of Parcel 8 and develop a process for facilitating same. Consider the need for an EDIC and map staging of development and revenue generation to match financial needs, or segregate funds to the Town Stabilization Fund for structured release.
  - ➢ Examine plans for Parcel 9 affordable housing to determine if there are opportunities to increase revenues while also addressing affordable housing objectives.
  - ➢ Investigate the viability of a long-term land lease for the construction and development of sports fields by the independent Town leagues.
- **Fiscal Impact:**
  - ➢ Additional work is needed to project revenue flows and fiscal impact.

7. Sell or lease Center School (or current Town Hall) after Early Childhood Center is built

- **Analysis:** Center School is planned to be decommissioned upon completion of a new Early Childhood Center in 2010. It is located in a Historic District and is currently zoned Residential A, with some site restrictions. Deferred maintenance items would be costly if the usage is changed. The facility requires full ADA compliance, system upgrades, and hazardous material mitigation.

  Town Hall is currently overcrowded and need of system and building repairs and upgrades. Known deficiencies have been on hold for several years with the uncertainty of the future of Center School. The site is very restrictive, compounded by the upcoming Bill's Pizza project. Expansion of the current facility is restricted by the small lot. It would be very difficult or impossible to renovate while occupied.

  Town Hall is an historic building located within the Historic district and is zoned Downtown Business. It requires system upgrades & at least some "gut" renovation. It requires full ADA compliance. Its Wood Structural system limits renovation options. Access to rear parking is via right-of-way.

  Center School OPTION #1: Use for multiple municipal uses including:
  - o Expanded & relocated Town Hall offices
  - o Parks & Rec facilities
  - o School Administration Offices
  - o Teen Center
  - o May serve as swing space during renovation of Town Hall

  Center School OPTION #2: Sell existing building to private sector

  Center School OPTION #3: Lease building as is (tenant pays for improvements)

Town Hall OPTION #1: Renovate and upgrade current facility including:

- Reconfiguration of offices and meeting rooms
- Upgrading mechanical systems and adding central A/C
- Making the facility fully ADA compliant
- Repairing the exterior envelope

Town Hall OPTION #2: Sell existing building to private sector

Town Hall OPTION #3: Obtain additional adjacent property along Walcott Street for expansion

- **Recommendation:**
  - Form a steering committee to develop a proposal for the future uses of Town Hall and the Center School in conjunction with approval of a new Early Childhood Center.
  - Consider space needs throughout Town and consider this decision in context of all other buildings and functions of the Town.
  - Secure professional services to develop re-use plan options for Center School in conjunction with Town Hall & other municipal needs. Facilities Department can help guide process.
  - Obtain professional appraisal of Center School facility and determine potential market value.
  - Consider private development of Center School facility and lease back needed portion of space.
  - Obtain professional appraisal of Town Hall facility and determine potential market value.
  - Research availability of property adjacent to Town Hall and determine acquisition costs.
- **Fiscal Impact:**
  - Designer service fees will be needed for Center School
  - Renovation costs of Center School for municipal use could range from $6M - $10M
  - Sale of Center School may bring $2M to Town
  - Long-term lease of Center School from private developer allows definitive facilities costs for Town.
  - Renovation costs for Town Hall could range from $2M - $3M
  - Sale of Town Hall may bring $1M to Town
  - Acquiring additional land adjacent to Town Hall could cost $500K

8. Lobby state legislature to repeal telecomm tax exemption

- **Analysis:** Laws providing for the taxation of telecommunications were enacted in the 1920s. Deregulation and new technologies have transformed the industry into a technologically advanced, multi-billion-dollar enterprise.

  A disconnect between dated statutes and an evolving industry has resulted in significant reductions in assessments for cities and towns.

  Decline in Telecommunications Assessments & Taxes (2004 – 2005)
    - $1.31 billion, or 37%, decline in telecommunications assessments
    - $31 million reduction in taxes paid by companies
    - 60% of Verizon’s property is exempt
    - $2.5 billion removed from municipal tax bases

Telecommunications exemptions result in higher residential and business property taxes.

There is litigation pending to repeal these corporate loop holes.

- **Recommendation:**
  - Support the efforts of the Massachusetts Association of Assessing Officers which has been actively engaged in lobbing the state legislature to:
    - Close the tax loophole that exempts telephone poles and wires over public property
    - Remove the tax exemption for machinery (mainly switching equipment) of telephone companies
  - Directly lobby our State legislators to repeal the telecomm tax exemption
- **Fiscal Impact:**
  - Successful changes in the law would result in an estimated $140 million in new revenue for cites and towns, with an additional tax of approximately $300,000 for the Town of Hopkinton.

9. Expand advertising

- **Analysis:** The general impression is that corporate America would have limited interest in purchasing naming rights for school or other town facilities. There is simply not enough exposure. There may be some opportunities for advertising revenue on school athletic fields, in the athletic center, on the school district's website, and through the Town's voice messaging systems. Advertising revenue may also be generated through an expanded banner program on Main Street and Route 85 during the Marathon.

  Advertising on the outside of school buses is not a feasible option because the Town does not own the buses.
- **Recommendation:**
  - Explore further advertising revenues for the school district and other town departments. As part of this process, rates would need to be set for various town facilities/locations including schools. As part of the athletic field improvement project, the Hopkinton Athletic Association (HAA) is also looking at raising revenues through game sponsorship and other avenues.
  - Explore the possibility of promoting a Hopkinton Credit Card and getting a royalty on charges.
- **Fiscal Impact:**
  - It is difficult to determine without any set rates.

10. Sell naming rights to buildings/halls/fields

This item is closely related to item 9. The same discussion applies.

11. Add new fees and fines; increase existing fees

- **Analysis:** The school district has drastically increased fees over the last few years for athletics, facilities use, transportation, student parking, and preschool tuition. Currently, the school district charges parents at the middle and high school levels $125 per sport for athletics, $180/year for a bus pass, and $180/year for a parking pass. The school district also charges parents $250/month for preschool tuition and community groups $10/hour for the use of school facilities. Some comparable data is available from surrounding communities. Many are assessing a club/activity fee to offset the costs of these programs.

A trash collection fee of $1 per bag would generate $1.1M per year assuming 4 bags per week from 5,400 households.

Tipping fees will be dropping by $20 per ton as of 2008. This will save $50K in FY08 and $100K per year thereafter. The decreases are already figured into the DPW budget forecasts.

Revenues from recycled materials are becoming significant. Revenue sharing will be explored in the next recycling contract.

Fines are set by the state; there is nothing that Hopkinton can do to change them.

- **Recommendation:**
  - Consideration should be given by the School Committee to increase fees as a means to offset budget shortfalls. As in the past, the impact on families should be weighed carefully.
  - Revenue sharing should be explored in the next recycling contract.
  - Consideration should be given to instituting a trash collection fee.
- **Fiscal Impact:**
  - By way of example, a $25 club activity fee would yield approximately $15,000 yearly. Similarly, a $5 increase in facility use fees would yield approximately $50,000 yearly. Other analyses could be done for increases in other existing fees.

12. Put program of studies on line

- **Analysis:** Students at Hopkinton High School access on-line courses through the Virtual High School (VHS) program. Currently, 50 students are allowed to take VHS courses. Our number of slots is based on a formula of 25 slots for each VHS course taught by a Hopkinton teacher. In FY07, a High School teacher was teaching two VHS courses. Courses offered target high achieving students. Courses are generally geared towards Advanced Placement (AP) or specialty courses that school districts cannot afford to offer in their program of studies.

  There is a noticeable shortage of on-line offerings for core courses targeting students at all levels. Increasingly, there is a movement nationally requiring students to take on-line courses, particularly at the college level. In the near future, students may be required to complete an on-line course as a graduation requirement. This initiative would facilitate this requirement and serve as a potential source of revenue.
- **Recommendation:**
  - Perform further research into the costs and benefits (potential revenue) of putting Hopkinton High School courses on line.
- **Fiscal Impact:**
  - Two years ago, we were given an estimated cost of $50,000 to build the architecture to support this effort. It is difficult to estimate the revenue benefit without more technical expertise and research. There is significant financial potential. On-line charter high schools are currently surfacing in Washington, California, and Idaho.

13. Obtain new grants to offset expenses currently in the operating budget

- **Analysis:** Most grant funds currently received by the school district and other town departments are state and federal entitlement or allocation grants. These grants are currently used to offset the operating budget and are a predicable source of revenue. New funding for public safety grants is minimal.

Competitive grants, however, are not a predictable source of revenue to offset the operating budget for the following reasons:

- The timeline for grants does not match up with our budget timeline.
- Most grants have a supplement not supplant provision.
- Grants in many cases represent a non-recurring revenue source.
- Many grants require a funding match.
- Most grants look to fund new or innovative programs that address future or unmet needs.
- Our demographics make us ineligible for many state and federal grants and weaken our prospects for private foundation grants.
- Many school grants require an application from a teacher and/or school.

Nevertheless, a part-time grant writer is an option that could improve departmental productivity by freeing up time from current staff to prepare grant applications even if the grants supplement the operating budget. A grants committee would not appear to provide added value.

- **Recommendation:**
  - Look more aggressively at grants to the school district and other town departments as a means to <u>supplement</u> the budget or to target future strategic initiatives.
  - Explore the impact of hiring a part-time grant writer or outsourcing to a firm to accomplish same.
- **Fiscal Impact:**
  - It is very difficult to predict.

14. Lease space for cell phone towers

- **Analysis:** The Town can lease space for cell towers and antennas on its land, building or structures. It must utilize the procedures established in MGL c.30B, the Uniform Procurement Act, in order to do so (i.e. go out to bid). The Town would need to own a location that is desirable to the wireless companies, and if it does, the Town can gain additional revenue.

  The Town of Weston has two poles for which it gets $70,000 annually under the current lease agreements. According to the Town Manager, the total amount a Town can expect depends on how many co-locators there are (additional payments for each co-locator).

  The Town of Wayland is contracted to receive $14,350 per month for the tower at Reeves Hill ($3,605 from Cingular, $3,640 from Sprint Nextel, $3,605 from T Mobile, and $3,500 from Verizon).

  The Town of Hopkinton once leased space on a water tower, but the lessee went out of business. Apparently, the DPW gets inquiries occasionally about leasing space.

  Recent consolidations in the cell phone industry are leading to a reduction in the number of cell towers needed. Some towns with existing lease agreements are beginning to see reduced revenues due to this consolidation.
- **Recommendation:**
  - Contact cell phone companies about leasing space for cell towers and antennas.
- **Fiscal Impact:**

- Unknown at this time.

15. Hire point person to market the town to businesses

- **Analysis:** This is an idea that originated with the economic development commission that Finley Perry chaired. It would appear to be a good investment if made at the appropriate time. Since additional water and sewer infrastructure capacity is required for significant commercial expansion, it would be prudent to synchronize establishing this position with the completion of those improvements.
- **Recommendation:**
  - Hire a person to market the town to businesses <u>after water and sewer infrastructure improvements have been made</u>. This would accelerate business expansion and, therefore, revenue enhancement.
- **Fiscal Impact:**
  - The additional expenses for salary and marketing materials would be readily offset by the incremental tax revenue that the town would receive.

16. Tuition-in special education students

- **Analysis:** Under state and federal law, the school district must provide educational services to identified special education students from age 3 to potentially age 22. To meet legislative requirements to educate students in the least restrictive environment and to educate students in their home school district, Hopkinton has developed a number of in-district programs for students with severe disabilities. These efforts have also resulted in cost savings to the district. If space allows, the school district may tuition in students with severe disabilities from other districts.

  Limited space is available in the district's early childhood and elementary programs and might be needed for students currently residing in town. The superintendent would not recommend that we tuition in students from other districts at the early childhood or elementary levels at this time. Physical classroom space is also an issue.

  The Futures Program at the High School, an alternative program for students likely to drop out, is one of the few available in the immediate region. The program has an academic and vocational component. Hopkinton's success rate graduating students from this program has been 100%. The program could be expanded to include students from other districts. The school district would need to network with other communities to verify the need. It would be necessary to increase staffing and/or classroom space. The latter is a particular challenge at the High School at the present time. If interest exists in surrounding communities, the school district would need to plan for a program expansion in the FY 10 budget.
- **Recommendation:**
  - Explore the idea of expanding the Futures Program at the High School.
- **Fiscal Impact:**
  - The impact cannot be estimated at this time.

17. Assess fees to cars going into the state park

- **Analysis:** The Department of Conservation and Recreation charges a daily fee for people entering the park. The fee is used to offset costs associated with operating the park.

  At this time there is no way to garner any revenue from these fees. If the Town were inclined to do so, legislation would have to be passed. This would require support and sponsorship by the State

Representative and State Senator who represent Hopkinton.

The Town does receive annual payments from the State in lieu of taxes on the portion of the state park that is located in Hopkinton. The rate was increased in FY05, and the amounts are built into the budget model.

The Town also receives payments from the State in lieu of taxes for the other state land in Hopkinton, including Whitehall State Park, Upton State Forest, and a MassHighway salt/sand storage area.

- **Recommendation:**
  - Explore the possibility of receiving higher payments from the state in lieu of taxes on all of the state land in Hopkinton.
- **Fiscal Impact:**
  - Unknown at this time.

18. Pursue voluntary mitigation payments from developers

- **Analysis:** The Town may require (and should expect) mitigation from developers to directly address a specific impact caused by a new development. Mitigation can take the form of an "exaction" or an "impact fee".

  An "exaction" must pass a *rational nexus* test where the development must create a need to which the exaction bears some proportional relationship, and once imposed, the exaction must actually be used to offset the impact of the particular development in a timely manner. Like most towns, Hopkinton has some history with requiring exactions - mitigation usually takes the form of actual work on the ground (paving, roadway widening, study of signal timing, new sidewalk, etc.), or funds for the municipality to do some specific work (paving, intersection study, etc.).

  An "impact fee" is where a developer is charged a fee to pay for the capital improvements ostensibly caused by the development, such as sewer, roads, water and other public facilities. The developer is charged based on a formula using such things as the number of bedrooms, square feet of building, etc. as an indicator of likely impact to the community. The developer must pay the fee to the municipality to obtain permits.

  Requiring mitigation payments (impact fees or "linkage fees") is not legal in most Massachusetts communities. A few have been successful in achieving special legislation, including all the municipalities on Cape Cod through the Cape Cod Commission legislation. In a 1984 case involving Emerson College in Boston, the court established a test to distinguish whether the payment is a fee (allowed) or a tax (not allowed). It established this test: 1) a fee is charged in exchange for a particular government service that benefits the entity paying the fee in a way not shared by others; 2) a fee is paid by choice (i.e. someone has the option of not using the government service); and 3) fees are collected not to raise revenues but to compensate the government entity providing the services for its expenses. If a required payment fails to pass this test, it is an impermissible tax. A few years ago, Franklin's attempt to impose impact fees was ruled an impermissible tax by the Mass. Appeals Court.

  Therefore, Town permitting/approval entities could ask developers for voluntary payments or gifts, but it is unlikely that any will be forthcoming without either something from the Town in return or an expectation that the funds will go specifically for something directly related to the impacts of the development. It is not revenue that the Town can count on.

Some developers (e.g., Boulder Capital) have expressed interest in partnering with the Town on certain infrastructure improvements of mutual benefit (e.g., playing fields or upgrades of road intersections). While these are project-specific and will not directly put money into the Town's coffers, they could reduce or eliminate certain capital expenditures.

- **Recommendation:**
  - ➢ Continue to require mitigation from developers to directly address a specific impact caused by a new development.
  - ➢ Ask developers for voluntary payments or gifts.
  - ➢ Work with developers on infrastructure improvements of mutual benefit.
  - ➢ Consult with the State Senator and State Representative who represent Hopkinton on the possibility of special legislation to mitigate costs related to rapid development incurred by towns in MetroWest or the 495 corridor.
- **Fiscal Impact:**
  - ➢ None that can be counted on.

19. Allow drive-thru lanes for restaurants

- **Analysis:** At the present time, Hopkinton permits restaurants in three commercial and industrial districts by right and in two by special permit. Drive-thru windows are allowed by special permit in three of these districts, but not for food or beverages. Therefore, no restaurant in Hopkinton may have drive-thru windows. Fast food restaurants themselves are not prohibited, and may be located in Hopkinton but may not have drive-thru windows. Hopkinton is not alone in prohibiting drive-thru windows for food or beverages (Groton, Nantucket, Sudbury, Acton), but is probably in the minority. Those communities which do not permit them probably do so because they believe it discourages fast-food restaurants from locating there, and also for traffic reasons.

  The town's Planning Director researched the assessed values for a few chain restaurants in eastern Massachusetts, including McDonald's. She did not include restaurants in Boston and Worcester, or those located inside malls and in rest areas on limited-access highways (e.g., Rt. 90, Rt. 495). Also not included are those located in communities whose assessment data is not on-line and restaurants which are located on properties with more than one business. Because of time constraints, she only reviewed a sample of the many McDonald's that exist. The results for McDonald's were:

Restaurant	***Number***	***Average Assessed Value***	***Average Lot Acreage***
All McDonald's	50	$1,034,530.00	1.44
McDonald's with drive-thru's	45	$1,025,931.11	1.49
McDonald's without drive-thru's	5	$1,111,920.00	1.34

The assessed values for some restaurant chains without drive-thru's were:

Restaurant	***Number***	***Average Assessed Value***	***Average Lot Acreage***
Friendly's	19	$826,242.11	1.1
Bertucci's	11	$1,529,300.00	1.1
Naked Fish	4	$1,927,725.00	2.83

The Golden Spoon property is assessed for $577,000 (FY07).

Therefore, while removing the prohibition on drive-thru windows for food and beverages would probably make it more likely that a fast-food restaurant would locate in Hopkinton, those kinds of restaurants are not necessarily those with the highest assessed value. If the Town had a type of restaurant that was more highly valued, it would probably receive the same or more tax revenue from it. It doesn't seem likely that allowing drive-thru windows for restaurants will result in additional revenue in and of itself.

Restaurant valuations are correlated to the income stream that the restaurant generates. Therefore, the Town's objective should be to entice restaurants that are likely to have high valuations. To the extent that allowing drive-thrus would further that objective, that option should be considered. However, it should be balanced against the potential change in community character. It is as much of a land use/community character issue as a revenue issue.

- **Recommendation:**
  - Permit drive-thru windows for food only if the Town decides that it wants to make it more likely for a fast-food restaurant to locate in Hopkinton.
- **Fiscal Impact:**
  - None.

20. Develop special education life skills program

- **Analysis:** Under state and federal law, the school district must offer transitional education services to students ages 18-22 who cannot meet high school graduation requirements. Presently, Hopkinton students receive these services through the Accept Collaborative, The Education Cooperative, or another private facility according to students' Individual Education Plans (IEP's).

  As the district develops a critical mass of <u>new</u> students who need these services, it becomes more cost-effective to develop in-district programs. The likelihood of bringing back students currently in existing placements is minimal. If the district develops its own program, it could tuition in students from other districts. Tuition for current programs generally ranges from $25,000 to $40,000 plus roughly $15,000 for transportation.

  Start-up costs for a new program would include funds for staffing (variable depending on students' IEP's), furniture and equipment, a van for transportation, and the leasing of approximately 2,000 square feet at an estimated cost of $34,000. The program would also require approval from the Massachusetts Department of Education (DOE).

  The school district does not yet have a critical mass of students to justify moving forward with its own program. As of FY 09, it is anticipated that only 3 new students will need transitional services.
- **Recommendation:**
  - Take no action regarding development of a special education life skills program.
- **Fiscal Impact:**
  - Not applicable given recommendation.

Expense Reduction

1. **Negotiate lower health insurance premiums (restructure programs)**
   - **Analysis:** The cost of Health Insurance continues to be one of the highest costs associated with employees. The single digit increase seems to be the exception, rather than the rule, and there seems to be no end in sight to the increases in costs.

     The Town's medical insurance is experience-rated, which means that the previous year's claims are taken into consideration when setting the premium rate for the following year. The Town also has an extremely rich plan, with $5.00 co-pays for doctor visits and prescription drugs. The Town's Human Resources Director spoke with several other towns of varying sizes and locales, and the average office visit co-pay is $15.00, with a $10.00 co-pay for generic prescription drugs. Some towns are up to $20.00 for an office visit. Hopkinton also has no deductible, which is otherwise known as 1st dollar health care. First dollar health care is now almost unheard of in the private sector, and is rapidly disappearing in the public sector.

     An analysis of the State Plan suggests that there is not enough of a cost savings to justify the 3rd and 4th tier plans. Hopkinton would be better served by addressing adjustments to the Town's current plans.

     The recently approved contracts with the Hopkinton Teachers' Association and with the Hopkinton School Custodians' Union include a plan design change that increases co-payments for health and prescription drug services. It is contingent upon reaching similar settlements with the Town's other unions.
   - **Recommendation:**
     - Develop a plan design change that increases co-payments for health and prescription drug services and implements other recommendations from the Town's Human Resources Director to maintain acceptable benefits while maximizing fiscal efficiencies.
     - Continue working with the Town's unions for flexibility to alter plans to achieve future economies while maintaining acceptable benefits.
   - **Fiscal Impact:**
     - $150K in FY09 for plan design change that increases co-payments for health and prescription drug services.
     - The impact of additional recommendations is unknown at this time. It is difficult to evaluate the fiscal impact without looking at the entire experience rating and seeing where the biggest costs exist. This is one of the FY08 goals of the Town's Human Resources Director.
2. **Reduce legal expenses**
   - **Analysis:** In recent years, there have been several instances of members or former members of Town bodies working as private citizens to undermine the votes of their boards/commissions or the votes taken at Town Meeting. Specific actions have included filing appeals with state agencies, participating in lawsuits against the Town, appealing decisions of Town boards or commissions, and speaking out in opposition to votes that have been taken. These actions have been disrespectful to the will of the boards and of the electorate, and they have provided implicit permission to citizens opposed to a particular vote to engage in similar activities. The impacts have included increased costs for legal services to defend the Town's position, increased costs for additional engineering studies, and delay in bringing new revenue sources online.

General government legal costs for the past 5 years have averaged approximately $143K versus an average of approximately $60K for the prior 5 years. Much of the increase is attributable to the due diligence required for new projects such as the purchase/development of the Fruit Street property and the possible purchase of the Weston Nurseries property. A detailed analysis of the expenditures for the last 5 years suggests that the amount required for normal Town business is approximately $70K per year and that approximately $30K per year has been spent on specialists dealing with issues other than Weston Nurseries and the purchase of the Fruit Street property. These are averages; there is considerable year-to-year variation.

- **Recommendation:**
  - Foster an approach of support and cooperation among all members of all boards and committees. Urge all elected and appointed officials to support the votes of their boards and of the voters at Town Meeting. Avoid actions such as participating as individuals in litigation against the decisions of town and state boards. Model the behavior that we would like to see from all of our citizens.
  - Explore hiring different legal counsel with a wider range of expertise in the kinds of issues that the Town is dealing with.
  - Highlight the cost of litigation to taxpayers so that they understand the impact on their taxes of the lawsuits and appeals of decisions by Town boards/commissions and state agencies.
- **Fiscal Impact:**
  - Legal costs could be reduced by as much as $40K per year on average. For the budget model, assume a reduction of $20K in FY09, $30K in FY10, and $40K in FY11 and each year thereafter.
  - Expenditures for additional engineering studies required to support the Town's position could be eliminated. Data were not available to quantify the impact.
  - New revenues from commercial projects could accrue to the Town years earlier than has been happening (for example, with the E.L. Harvey re-cycling center expansion).

3. **Make more efficient use of revolving accounts and 53E½ accounts**

- **Analysis:** The Town is allowed various revolving funds by state statute. The most widely used is the 53E1/2 fund. This fund is used to pay for the cost of services that a program provides. The other fund with a substantial balance is the Park/Recreation revolving fund. Other funds include gifts, 53G for outside consultants, and insurance losses.

  53E1/2 funds are used to specifically cover the cost of a program that is being provided. Currently approximately $200,000 is turned back to the general fund and becomes "free cash" at year end; thus the fees already charged for these programs are more than covering the costs. With regards to the Park/Recreation fund, this is a self-supporting fund with the fees charged covering the costs of the services. Fees collected from the 53E1/2 funds or the Park/Recreation fund cannot be increased without compromising compliance with state statute.

  The school department manages several revolving accounts. An examination revealed that there are one-time amounts that could be used to offset the FY09 budget, as follows: Adult Ed ($25K), Sped Tuition ($89K), School Choice ($11K), and Circuit Breaker ($180K, provided there are no unforeseen Special Ed placements that arise during FY08). This is a total of $305K.

  However, unless fees are increased in the future, there will be no additional offsets to the school budget from revolving accounts in future years. The reason is that the revenue based on current fees is already netted out of the estimated school budgets for FY09 and beyond.

- **Recommendation:**
  - ➢ Use the available balances in the Adult Ed, Sped Tuition, School Choice, and Circuit Breaker accounts to offset the FY09 school department budget.
- **Fiscal Impact:**
  - ➢ $305K in FY09, provided there are no unforeseen Special Ed placements

4. Combine certain school / general government operations

- **Analysis:** In the past, the school district and general government function have looked at the possibility of combining services in human resources, maintenance, and technology. After revisiting each area, technology seems to be the most viable area to explore further. Combining human resources or facilities maintenance operations would not save money. Currently, the school district has a Director of Technology, a network/systems manager, and one technician providing district technology services at a cost of $197,000. The general government function currently contracts with private vendors to provide network, website management, and other technology supports. The cost for these contracts is $38,400. At one point, the Town's FY07 budget also included $20,000 for a part-time technology staff member to support the general government function. In addition, staff members in both the police and fire departments are providing some in-house technology support for their respective departments.

  Both school and general government departments are facing increasing needs for network efficiency, improved communications, the electronic reporting and storage of data, and timely support for troubleshooting, repairs, and set-up.
- **Recommendation:**
  - ➢ Explore how technology services can be shared between the school district and general government departments to increase efficiency and/or to reduce costs.
- **Fiscal Impact:**
  - ➢ The fiscal impact can not be estimated at this time.

5. Combine services with neighboring communities

- **Analysis:** This is done to some extent through the existence of Inter-local agreements or Mutual Aid. Examples are:
  - o Shared water facility with Ashland
  - o Sewer sent to Westborough treatment plan
  - o Fluid Emergency Medical Services (EMS) and Fire Mutual Aid

  Discussions have begun with Ashland regarding additional inter-local agreements in conjunction with Boulder Capital and the Legacy Farms development.

  In order for this process to work successfully, more than one community must have needs to address. Also, there need to be strong lines of communication between the agencies involved.

  Furthermore, there is the potential for union involvement, and there is a danger in fostering a perception that one community would benefit more than another.
- **Recommendation:**
  - ➢ Continue work with Ashland and Boulder Capital on sharing services and infrastructure in

conjunction with the Legacy Farms development.
    - ➢ Perform further study to identify additional services that could be shared with neighboring communities.
- **Fiscal Impact:**
    - ➢ Fiscal savings are hard to estimate at this time because they are dependent on what services are consolidated.

6. **Pursue regionalization for large pieces of equipment**
This item is closely related to item 5. Please refer to that discussion.

7. **Institute cooperative purchasing**
- **Analysis:** Currently there is no central purchasing department. All contracts are reviewed by the department that is seeking goods/services. Additionally, all purchases are made separately by each department.

  A Town purchasing agent or procurement officer would review all contracts and would provide centralized purchasing for the Town. Depending on the types and sizes of future projects a purchasing agent could save the Town thousands of dollars in contract costs. One particular area would be in purchasing energy for the Town.
- **Recommendation:**
    - ➢ Perform further analysis to estimate the potential savings of instituting centralized purchasing.
- **Fiscal Impact:**
    - ➢ $50,000 per year plus benefits for a purchasing agent.
    - ➢ Contract savings not known at this time.

8. **Relocate DPW Facilities to a new facility**
- **Analysis:** Department of Public Works (DPW) facilities are currently located at two sites, the original, an undersized facility that is in disrepair, and the second in buildings acquired in the Fruit Street purchase. The main facility on Wood Street is surrounded by environmentally sensitive areas. The Fruit Street facility is located in a Zone II aquifer overlay district. The DPW is in need of additional space to meet the needs of a town that has grown substantially in recent years. It needs additional office space, adequate garaging, and storage for salt and fuel away from environmentally sensitive areas.

  A central location will generate operational efficiencies.
- **Recommendation:**
    - ➢ Obtain an appropriate location for DPW facilities and construct an up-to-date facility.
    - ➢ Sell the current property used by the DPW on Wood Street.
    - ➢ Re-constitute the DPW Building Committee.
- **Fiscal Impact:**
    - ➢ Further work needs to be done to quantify efficiency gains from a new facility as well as to determine the current cost of a new facility and the revenue to be gained from selling the Wood Street property.

9. **Develop wind power or solar power**
- **Analysis:** Local wind projects are in various stages of development in more than forty cities and towns---including Lynn, Fairhaven and Falmouth---through Community Wind Collaborative. Wind energy can be an especially economical form of clean energy. It produces no harmful emissions,

diversifies the energy supply, and displaces dirt fossil fuels, such as coal and oil.

There is $230M in grants, loans and other awards to more than 1,000 renewable energy projects from the Renewable Energy Trust. [Municipal Advocate Vol.23, No.4]

The Principal Assessor has contacted and spoken with Chris Clark, Senior Project Manager of Community Wind at the Massachusetts Technology Collaborative in Westborough. They are a quasi state agency that deals with local officials. They can help determine if the Town of Hopkinton has a location with sufficient wind speed to support a financially successful wind turbine. The first step would be to fill out the application so that their group can come out and perform a municipal wind site survey (at no cost to the Town) which is based on 10 technical criteria. The results take about 2 months.

Grants are also available for solar power projects.

- **Recommendation:**
  - Appoint a steering committee of interested residents to study alternative energy sources including wind power and solar power.
- **Fiscal Impact:**
  - Unknown at this time.

10. Revise staffing/overtime practices

- **Analysis:** There is uneducated sentiment that the Town pays out a large amount of overtime to certain Town employees. The reality of the situation is that the Town operates very lean when it comes to the number of personnel.

  Staffing levels are under constant review. Generally the growth of the community, and the services desired by the community, have outpaced the growth of the departments providing those services. A reduction in staffing levels will result in reductions in services provided and a risk to public safety.

  Overtime is generally attributable to emergency callbacks, emergency repairs, or the need to complete/supervise work that must be done on weekends.

  Department heads are currently selective about what overtime is approved. Not all shift openings are filled, and not all special requests for service are met. Shifts are changed to minimize the costs associated with training.

  Significant saving in overtime would require significant concessions on the part of the collective bargaining units. How extra work is allocated is covered in these agreements.

  Furthermore, any changes would need to be made in such a way that state and federal mandates continue to be met.

  Using part-time employees to cover some of the extra work has an associated potential for saving. Union concessions would be required to take advantage of any savings. The savings would be partially offset by the cost of equipping and training any part-time help.

  School Dept. overtime (what can be truly classified as such) exists in the Buildings and Grounds department and comes under collective bargaining for the custodians and maintenance staff. Overtime was budgeted at $40K in FY 07 and only $35K was spent. The FY 08 budget remains at $40K. Overtime which can be identified as relating to building use by outside groups is covered by fees collected and deposited in the revolving account for that purpose.

- **Recommendation:**
  - Maintain vigilance in setting staffing levels.
  - Perform further analysis to estimate potential net savings by using part-time employees to cover some of the extra work in lieu of overtime.
- **Fiscal Impact:**
  - Unknown at this time.

11. Modify snow removal tactics (don't plow so quickly or so often)

- **Analysis:** The premise of "don't plow so quickly or so often" defies public safety. There is a lot of commuter traffic passing through town and the roads need to be made safe. The Highway department has modified its operation over the last four years. It has added liquid de-icing chemical dispensing equipment to four trucks purchased over the last four years and undercarriage plows to two of those trucks. This improves efficiency of the salt by making it more effective in melting ice at lower temperatures. With undercarriage scrapers, the trucks can remain on their routes longer before having to convert to plowing operations (returning to the garage and attaching plows).

  The Highway department begins the sanding operation at the onset of snow. This aids in pre-treating the roads to retard the buildup of snow accumulation on the road and prevent heavy traffic from packing the snow onto the pavement. Once this snow pack has set up, it is very difficult and more costly to remove. Therefore it is important to get a jump on the storm.

  The snow plow routes are set up so a truck within the route has time to make one pass and reload sand & salt to catch the next couple of inches of snow which has fallen on the road he started on the previous cycle. The trigger for changing from a sanding operation to a snow plow operation is when 2 inches of snow has accumulated on the road. Trying to combat more than 2 inches with salt and de-icing chemicals becomes expensive, particularly when the cost of salt has gone up 21.5% this year (about $25,000 to $30,000 additional cost per year).

  By continuing with these modifications through the fleet (2 more trucks) the Highway department expects to improve efficiency. The effectiveness of liquid de-icing can also reduce the need for sand, resulting in savings both in initial cost and the cost of sweeping and disposal (currently at $15/ton). The DPW is also looking at deferring a replacement of a loader ($130,000) and getting a rental loader for the winter months ($16,000/Yr) as that is the only time it is used (the department has two other loaders).
- **Recommendation:**
  - Continue efficiency improvement actions currently under way with respect to snow removal tactics.
- **Fiscal Impact:**
  - No impact, because budget forecasts assume that already-planned efficiencies will be offset by the rising cost of salt, the increase in the number of miles of road to maintain, and the impact of increased traffic.

12. Hire company to retrofit buildings for guaranteed energy savings

- **Analysis:** The Performance Engineering concept is new to Massachusetts, and there are not any town-wide project references available at the time. Procurement could be problematic. If Town vote defeats the 10-12 year financial/technical agreement, the Town would be obligated for the engineering study performed.

  The Facilities Director interviewed several Energy Service company (ESCO) providers to gather background information on services available. He reviewed sample RFQ's and the unique procurement process of "performance engineering." He discussed the concept with other engineers, contractors and end-users, and he discussed a similar project with Keefe Tech representatives.

  One approach is to analyze individual buildings and systems, engineer solutions, and utilize general bid procurement. This is what was done for the Center School Boiler and Middle School Roof & Walls projects where the Town had more flexibility and options available on a per project basis.

  The Facilities Director has researched other available energy-savings options. The Town has undertaken audit opportunities from utility companies and upgraded lighting throughout Town facilities. High-efficiency equipment and lighting has been incorporated in all new projects.
- **Recommendation:**
  - Continue to study the "performance engineering" concept for obtaining energy savings in Town buildings.
  - Implement good building maintenance practices.
  - Continue to explore utility company rebate programs.
  - Continue to specify high-efficiency equipment for long-term energy savings and life-cycle.
  - Investigate improving overall building performance for each capital project.
- **Fiscal Impact:**
  - No immediate financial savings with "performance engineering" implementation. Upgrades are in fact paid for by the guaranteed energy savings, so the Town would have 10 -12 year old equipment fully paid for at end of the agreement period.
  - Utility audits are free, upgrades are often a shared cost, and payback is a quick 2 -4 years.
  - Building Codes continue to require better envelopes and systems, so the opportunities for rebates are fewer.
  - Manpower allocations may need to be increased for better maintenance practices.

13. Re-evaluate the Community Preservation Act (CPA) tax

- **Analysis:** The 2% Community Preservation Act tax was approved by vote at the April 9, 2001 Special Town Meeting and at a subsequent ballot and has been assessed as a surcharge of real property tax since July 1, 2001. The voted article requires that annual CPA tax revenues be apportioned and reserved as follows:
  - 10% for Open Space (but not including land for recreation)
  - 10% for historic resources
  - 10% for community housing
  - 50% for open space, including passive recreational use
  - 20% for any of the above uses and open space, including recreational uses

  For each year since the CPA tax inception, the State has essentially matched the annual CPA revenues raised locally. The State match is not guaranteed and the extent of the match is anticipated to reduce over time as State matching funds are spread over more towns that embrace the CPA.

Since inception, the Community Preservation Committee (CPC) has reserved $6,299,892 in CPA funds against which it has appropriated $4,734,162, leaving a reserved balance of $1,565,730. In addition, as of July 1, 2007 there was an unreserved balance (for interest and underestimated reserving) of $830,694.

CPA funds have been used to support many community projects since inception. Three land purchases (Fruit St., Winter St., and Whitehall) involve long-term commitment of CPC funds until the debt is repaid. For the Fruit St. land, projected annual obligations range from $288,430 in FY 04 to $233,100 in FY12. For the Winter St. land, projected annual obligations range from $35.100 in FY05 to $27,810 in FY 14. For the Whitehall land, projected annual obligations range from $$95,875 in FY09 to $66,625 in FY18.

The process for changing the CPA tax or the apportionment of revenues requires approval by Town Meeting and ballot vote.

- **Recommendation:**
  - Do not consider reducing or eliminating the CPA tax as long as the Town continues to receive significant matching funds from the State. The State match should be monitored, and projections should be maintained to determine when they may drop significantly. At that time the Town should revaluate its position.
  - Consider revising the future apportionment of CPA funds to provide more flexibility to address needs in any of the designated areas going forward. The State only requires that 10% be apportioned for each of the uses, and the remainder can go to general funds to be used for any one of the designated uses.
  - Exercise more discipline in the use of CPA funds. Projects should only be supported when there is a demonstrated significant benefit to the community and all fiscal implications are identified. For example, building projects create a need for ongoing maintenance expense that creates a future burden on the Town's finances.
- **Fiscal Impact:**
  - None. Reducing or eliminating the CPA tax is not a direct method for increasing revenues or reducing expenses to balance the Town's operating budget.